EXECUTIVE SECRETARIAT

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Executive Secretary

3637 (10-81)

3 March 1982

Date

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82-2557

February 25, 1982

Honorable William Casey
Director
Central Intelligence Agency
Washington, DC 20505

Dear Mr. Casey:

I am enclosing an advance copy of U.S. Foreign Policy and the Third World: Agenda 1982, the eighth in the series of annual assessments of U.S. relations with the developing countries published by the Overseas Development Council.

ODC's latest Agenda appears at a time when those relations are undergoing profound change. President Reagan's participation in the North-South summit meeting in Cancun signaled a continuing interest in this important aspect of U.S. foreign policy; but the President's speeches and other statements and actions by high-ranking administration officials have marked a considerable shift in emphasis in relations with the developing countries. In contrast to prior years, U.S. policy toward the developing countries now emphasizes issues of military security, the importance of bilateral rather than multilateral development programs, and a renewed interest in the role of market forces and of the private sector in development.

Agenda 1982 differs in an important sense from prior volumes in this series. It analyzes the implications for the conduct of American foreign policy of the changes that have taken place in relations between the United States and the developing countries. It deals particularly with questions of U.S. national security interests in the developing world and takes a new look at such perennial issues as trade, food, and aid, from the perspective of what is needed if a U.S. foreign policy "in the national interest" is to be developed during the 1980s.

I hope you find the analysis of interest. We would welcome your reactions.

Sincerely yours,

John W. Sewell
President

OVERSEAS DEVELOPMENT COUNCIL
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FOR RELEASE: February 28, 1982

Contact: Rosemarie Philips
202/ 234-8701

McNAMARA SAYS THIRD WORLD, ENLIGHTENED ECONOMIC POLICIES KEY TO U.S. SECURITY

The security and national interests of the United States require that U.S. foreign policies toward the Third World "address our interests and objectives there per se," and not simply those American interests "vis-a-vis the Soviet Union and the Western Alliance that are influenced by events in the Third World." (p. 43) This is the conclusion reached in a new Overseas Development Council study released today.

U.S. Foreign Policy and the Third World: Agenda 1982 is the latest in the Council's series of annual assessments of U.S. policy toward the developing countries. In discussing Agenda 1982, Council Chairman Robert S. McNamara emphasized that in a rapidly changing international setting, military power alone is inadequate to guarantee U.S. security. Increasingly serious attention "must be given to alternative foreign policy instruments, political and economic." (p. 37) McNamara called for a foreign policy that recognizes growing limits to the use of military power in the developing countries by the Soviet Union as well as the United States, and urged that actions directly in the U.S. national interest be taken in such areas as trade, food security, and aid.

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Among the changes that require this broader conception of national security, Agenda Project Director Roger D. Hansen cites 1) the inability of military force to achieve desired objectives in conflicts in which there is no direct superpower involvement, 2) the growing constraints on the Soviet Union, 3) the inevitably destabilizing effect of the process of modernization in the Third World, and 4) the increasing differences of perception and interest between the United States and its Western allies. A misreading of these changes could constrain pursuit of the very security interests being promoted.

Limits to Soviet and U.S. Power

According to Hansen, both the Soviet Union and the United States will find it increasingly difficult to use military force in situations that do not involve direct superpower conflict. In the Third World, the processes of modernization, increased participation of people in the political system, and the evolution of regional powers, "increasingly constrain the capacity of [the Soviet Union and the United States] to control...or influence...events in these countries or regions." (p. 12)

A decline in the Soviet economy and the growing costs and mixed results the Soviet Union has had in its involvement in the Third World suggest that the Soviet Union may now be in a defensive rather than an aggressive mode, and that it may be "increasingly preoccupied with problems at home and in Eastern Europe." (p. 23) The image of the Soviet Union as "an aggressive, confident, and expansionist great power determined to use military force when necessary to upset the global balance" is no longer accurate and unnecessarily constrains U.S. policy objectives. (p. 23)

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Living with Instability in the Third World

The United States must recognize, writes Hansen, that political instability and regional conflict are a part of the process of modernization. The most effective policy response to Soviet adventurism therefore is to discourage intervention in the Third World, by any power, "making each added Soviet initiative more costly than the preceding one." (p. 39)

Differences of view and interest between the United States and its allies emphasize the growing difficulty of relying on power to resolve certain kinds of problems. "U.S. power will be no adequate substitute for the strength that can result only from a cohesive Alliance relationship." (p.42)

Hansen, who examined the major premises of the official and unofficial foreign policy establishment influencing the Reagan administration, concluded that "one of the most significant challenges to American foreign policy in the 1980s [is] the establishment of... ties with a very broad range of developing countries [that are] constructive enough to protect and enhance U.S. security broadly defined." (p. 37)

U.S. Action Remains Crucial

In an introduction to the volume, ODC President John W. Sewell writes that despite the limits on American power discussed elsewhere in the volume, "the role of the United States in international affairs remains crucial....[it] remains the world's strongest economic power." However, to retain its position of influence, the United States must "take the lead" in addressing the series of problems that concern both its Atlantic allies and the developing countries. There are, he writes, "considerable possibilities for action below the global level....there is much that can be done at both the national and regional levels." (p. xv)

Other chapters in Agenda 1982 examine issues equally important to the United States and the developing countries. They offer policy approaches for the 1980s designed to meet long-term U.S. interests.

Liberal Trade Helps U.S. Economy and Security

In "Making Liberal Trade Policies Work for the 1980s," Albert Fishlow writes that the rewards for liberal trade policies for the United States are "growing markets abroad and increased efficiency and real income at home." (p. 61) While the domestic pressures for protectionism are strong, the need is for "an adequately designed and more integral adjustment policy to cope with changing technology and comparative advantage at the global level." (p. 63) Moreover, such a reindustrialization policy should be made compatible with the international economy and should take advantage of the "potential market for American intermediate and capital goods in the developing countries." (p. 64)

Food Security Through National Initiative

In "A Food Security Approach for the 1980s: Righting the Balance," Robert Paarlberg writes that despite "well-intended and well-publicized global efforts" in the 1970s, the world food system is no more secure than it was nearly a decade ago. In the 1980s, food security can be better pursued through "independent national initiative" than by "waiting for the creation of a global food regime." (p. 70) This is as true, he writes, for the United States as for the developing countries. "By bearing the heaviest leadership burdens--by carrying adequate reserves, continuing commercial and concessional sales in times of tight supply, and forswearing

excessive acreage set-asides or export subsidies in terms of abundance--the United States not only promotes food security for others but also ensures the preservation and growth of a world food system from which it, as the largest exporter, stands to gain the most." (p. 92)

Aid: Effective, Improving, and in the U.S. Interest

In "Development Assistance in the 1980s," John P. Lewis urges that an increased level of development assistance would radically revise the South's image of the United States, allow the United States to resume effective leadership of the industrial countries on North-South matters, and increase the thrust of the U.S. argument in favor of a more market-oriented approach. (p. 128) While such a move would have political costs (particularly among Reagan supporters on the Right), "it would complement the entire foreign policy package--and its boldness...might resonate well with many Americans." (p. 110) Aid works far better than most Americans realize: it is effective, more efficient than ever, and has been a "strong, indispensable catalyst" for improvements in food production, economic successes in a number of countries, reduced birth rates, etc. (p. 106)

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The Overseas Development Council is an independent, nonprofit organization established in 1969 to increase American understanding of the economic and social problems confronting the developing countries, and of the importance of these countries to the United States in an increasingly interdependent world. The ODC's program is funded by foundations, corporations, and private individuals; its policies are determined by its Board of Directors. Robert S. McNamara is Chairman and John W. Sewell is President.

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